MANDENI MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2009

8 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Investemnt Property	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2008	**400,237**	**191,360**	**16,621,643**	**7,397,975**	**80,165**	**1,957,316**	-	**26,648,696**
Cost/Revaluation	400,237	518,870	28,717,485	9,993,531	80,165	4,637,489	-	44,347,777
Accumulated depreciation and impairment losses	-	(327,510)	(12,095,842)	(2,595,556)	-	(2,680,173)	-	(17,699,081)
Acquisitions	-	-	7,293,915	5,794,495	-	2,991,651	-	16,080,061
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(16,090)	(2,318,243)	(262,796)	-	(376,687)	-	(2,973,816)
Carrying value of disposals	**(63,864)**	-	-	-	-	**(50,584)**	-	**(114,448)**
Cost/Revaluation	(63,864)	-	-	-	-	(468,405)	-	(532,269)
Accumulated depreciation and impairment losses	-	-	-	-	-	417,821	-	417,821
as at 30 June 2009	**336,373**	**175,270**	**21,597,315**	**12,929,674**	**80,165**	**4,521,696**	-	**39,640,493**
Cost/Revaluation	336,373	518,870	36,011,400	15,788,026	80,165	7,160,735	-	59,895,569
Accumulated depreciation and impairment losses	-	(343,600)	(14,414,085)	(2,858,352)	-	(2,639,039)	-	(20,255,076)

Refer to Appendix B for more detail on property, plant and equipment App B'!A1

	Note	2010 R	2009 R
10 NON-CURRENT ASSETS HELD FOR SALE			
There are no non- current assets which are held for sale			
11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		2,397,073	851,096
Bank deposits not yet receipted		456,030	297,243
Retentions		-	-
Other creditors		474,955	223,217
Total creditors		**3,328,057**	**1,371,556**
12 CONSUMER DEPOSITS			
Electricity		993,012	933,028
Total consumer deposits		**993,012**	933,028
No guarantees held in lieu of Electricity Deposits			
13 VAT PAYABLE			
VAT payable		1,546,869	3,724,359
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
14 VAT RECEIVABLE			
VAT receivable		1,241,407	3,664,651

Finance management grant	0	71,162
Municipal systems improvement grant	-0	30,617
Housing capital grant	22,715	679,805
NDP grant	10,584,745	-
Waste management grant	0	15,181
Management assistance programme	276,075	323,536
Umsobomvu youth fund	0	48,364
Corridor development grant income	1,663,406	1,800,459
IDP grant income	0	105,378
Local government support grant	397,556	-
Sport and recreation grant income	237,490	610,105
KZN library grant income	-	78,900

16.2 Other Unspent Conditional Grants and Receipts		
Gijima grant income	13,959	49,502
Total Unspent Conditional Grants and Receipts	**16,348,664**	**9,238,544**
Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	**16,348,664**	**9,238,544**

See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

17 BORROWINGS		
Annuity Loans	330,840	540,625
Other borrowings	-	-

Amounts payable under finance leases	charges R	lease payments R
Within one year	77,812	
Within two to five years	249,348	
	327,160	-
Less: Amount due for settlement within 12 months (current portion)		-
		-

The average lease term is 5 years and the average effective borrowing rate is 11.5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

19 PROPERTY RATES

Actual		
Residential	5,788,495	18,430,020
Commercial	10,023,222	-
State	6,102,542	-
Total property rates	**21,914,259**	**18,430,020**
Property rates - penalties imposed and collection charges	-	-
Total	**21,914,259**	**18,430,020**
Valuations		
Residencial	579,921,680	579,921,680

20 SERVICE CHARGES

Sale of electricity	8,225,499	5,643,685
Refuse removal	4,676,161	4,522,935
Total Service Charges	**12,901,660**	**10,166,620**

21 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	185,744	149,197
Total rentals	**185,744**	**149,197**

22 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	794,868	5,535,006
Total interest	**860,987**	**5,535,006**

23 INTEREST EARNED - OUTSTANDING RECEIVABLES

Consumer debtors	295,864	113,769
Total interest	**295,864**	**113,769**

24 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	40,644,965	29,924,749
MIG Grant	15,355,514	13,007,784
Finance management grant	750,000	500,000
Municipal systems improvement grant	438,639	400,000

	13,082,697	
Conditions met - transferred to revenue	(15,355,514)	(8,361,063)
Conditions still to be met - remain liabilities (see note 14)	**3,152,718**	**5,425,534**

This grant is used to construct roads infrastructure

24.3 Finance Management Grant

Balance unspent at beginning of year	71,162	304,884
Current year receipts	750,000	500,000
Conditions met - transferred to revenue	(821,162)	(733,722)
Conditions still to be met - remain liabilities (see note 14)	**0**	**71,162**

This grant is used to set up and support the budget and treasury office and financing the appointment of finance Interns

24.4 Municipal Systems Improvement Grant

Balance unspent at beginning of year	30,617	-
Current year receipts	408,021	400,000
Conditions met - transferred to revenue	(438,639)	(369,383)
Conditions still to be met - remain liabilities (see note 14)	**(0)**	**30,617**

This grant was used to impliment new financial system, the GRAP conversion process, ward participation and debt management activities.

24.5 Housing Grant

Balance unspent at beginning of year	679,805	1,203,863
Current year receipts		1,370,327

Balance unspent at beginning of year	105,378	86,320
Current year receipts	-	100,000
Conditions met - transferred to revenue	(105,378)	(80,942)
Conditions still to be met - remain liabilities (see note 14)	0	**105,378**

This grant was used to assist the municipalities to improve the IDP implementation

24.12 **Gijima Grant**

Balance unspent at beginning of year	49,502	172,265
Current year receipts	-	491,104
Conditions met - transferred to revenue	(35,543)	(613,867)
Conditions still to be met - remain liabilities (see note 14)	**13,959**	**49,502**

The funds received and utelised for the promotion of tourism and LED activities

24.13 **Local Government Support Grant**

Balance unspent at beginning of year	-	-
Current year receipts	600,000	-
Conditions met - transferred to revenue	(202,444)	-
Conditions still to be met - remain liabilities (see note 14)	**397,556**	-

This is the intiative by Provincial COGTA to ensure that proper governance structure are created in municipalities.

The grant was used to supliment the funding of development of municipal valuation roll and implementation of the Property rates Act.

24.17 KZN Library grant

Balance unspent at beginning of year	78,900	-
Current year receipts	-	78,900
Conditions met - transferred to revenue	(78,900)	-
Conditions still to be met - remain liabilities (see note 14)	-	**78,900**

This grant is utilised to fund the acquisition of library materials

24.18 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

25 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

Other income	948,460	765,953
VAT Claim on grant expenditure that have met conditions	2,364,370	-
Total Other Income	**3,312,829**	**765,953**

26 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	15,908,472	14,418,247

Remuneration of Individual Executive Directors	Technical Services R	Corporate Services R	Community Services R
2010			
Annual Remuneration	466,414	466,414	-
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	166,660	224,982	-
Contributions to UIF, Medical and Pension Funds	96,047	37,880	-
Total	**729,121**	**729,276**	-

	Technical Services R	Corporate Services R	Community Services R
2009			
Annual Remuneration	321,739	321,739	-
Performance- and other bonuses	38,682	-	-
Travel, motor car, accommodation, subsistence and other allowances	134,058	159,312	-
Contributions to UIF, Medical and Pension Funds	91,015	65,760	-
Total	**585,494**	**546,811**	-

Employee related cost 30 June 2009		21,735,712.0
Leave pay provision		674,997.2
Workmens Compensation		262,238.3
Total Employee Related Costs	**25,188,504.8**	**22,672,947.4**

This represent the reclassification of expenditure in 2008/2009 employee related costs

Total Depreciation and Amortisation	**3,777,756**	**3,423,787**

29 FINANCE COSTS

Borrowings	77,635	879,447
Total Finance Costs	**77,635**	**879,447**

30 BULK PURCHASES

Electricity	4,367,300	3,350,803
Total Bulk Purchases	**4,367,300**	**3,350,803**

31 CONTRACTED SERVICES

Contracted services for:		
Security of municipal property	1,406,315	887,647
Solid waste management	5,216,594	4,720,409
	6,622,909	**5,608,056**

32 GRANTS AND SUBSIDIES PAID

Free basic electricity	360,926	364,136
Management asistance programme	123,925	707,094
Finance management grant	750,000	500,000

Arts and Culture Forum		4,584	6,629
External Audit	996,063		792,830
Audit Committees	51,103		45,396
Bank Charges	178,115		94,844
Community and Municipal Publications		-	48,000
Community Forum		-	11,500
Contribution to Capital Outlay	338,300		-
Dog Unit		776	-
Educators Forum		4,399	4,956
Electricity - Health	36,842		21,922
Electricity - internal	368,484		273,290
Environmental Forum		1,380	2,298
Fire Arm Shooting		560	-
Fuel & Oil	770,913		613,053
GRAP Implementation	222,505		-
Health Supplies	56,142		82,495
Hire Charges	341,296		390,833
Ilembe Water and Sewerage Charges	590,462		458,634
Insurances - General	237,126		179,874
Internal Audit	367,798		409,361
Leases- Office Equipment	172,990		126,904
Leases- Vehicles	849,736		746,541
LED Forum		5,593	9,002
Legal & Professional	930,428		60,701
Licences	362,549		151,079
Literature Acts & Books			17,854

Traffic and Law Enforcement Programme	95,354	-
Training and Development	329,354	10,500
Tuck Shop - Expenses	525	426,373
Uniforms	77,116	-
Vehicle Subsidy	-	-
Ward Committees	60,114	-
Workmens Compensation	-	15,624
Youth programmes	355,179	-
	11,763,776	**155,510**
		7,489,617

34 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT

No fair value adjustments made on assets

35 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	(14,481,619)	7,479,404
Adjustment for:-		
Depreciation and amortisation	3,777,756	3,423,787
Contribution to provisions - current	1,305,919	9,126,149
Finance costs	77,635	879,447
Interest and penlties VAT	162,806	
Sundry Expenses	9,511	
Interest earned	(1,156,851)	(5,648,775)
Other non-cash item :Health Subsidy	(1,008,600)	
Other non-cash item :Roll over grants	(1,726,789)	

Sub- total	(330,840)	
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities		

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

38 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies as at 30 June 2008

38.1 Statutory Funds

Balance previously reported: - 30.06.2008		
Capital Development Fund		8,467,699
Loan Redemption Fund		110,679
Public Improvement Fund		6,279,715
Total	-	**14,858,093**

Housing fund

Balance	1,394,440	1,215,149
Interest income	109,999	179,291
Total	**1,504,439**	**1,394,440**

Correction of errors in accordance with GRAP 3

The comparative amount has been restated as follows:-

Asset adjustments made to previous year's balances due to Asset Register update.
as at 30.06.2008

Reduction in Accummulated Depreciation at Cost	
Adjustmnet to offsetting depreciation on eppening balance	
Adjustment to assets funded from revenue for the year	355,912
	355,912

Correction of errors in accordance with GRAP 3

The comparative amount has been restated as follows:-

Reduction in Accummulated Depreciation at Cost		(3,028)
Adjustmnet to offsetting depreciation on eppening balance		(193,400)
Adjustment to assets funded from revenue for the year.		(332,588)
Adjustment to offf setting depreciation 2009		449,971
Incorrect take on balance on accummulated surplus	476,371	
Write off claim on stolen cash in 2007	(128,948)	
Incorrect allocation	93,098	
	440,521	**(529,016)**

Surplus for the Year previouly reported - 30.06.2009	1,544,922
Implementation of GRAP	
Reversal of capital charges made to Reserves	538,619
Reversal of Conntribution made to Funds	2,031,022

39.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	5,659	
Fruitless and wasteful expenditure current year	157,145	5,659
Condoned or written off by Council		
To be recovered – contingent asset		
Fruitless and wasteful expenditure awaiting condonement	**162,804**	**5,659**

Incident	Disciplinary steps/criminal proceedings	
Interest paid on arrear eskom account.		5,659
Interest and penalties on under-declared income to SARS	162,804	

39.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	31,726	
Irregular Expenditure		31,726
Condoned or written off by Council	(31,726)	
Transfer to receivables for recovery – not condoned		
	40,064,356	
Irregular expenditure awaiting condonement	**40,064,356**	**31,726**

40.2 Audit fees

Opening balance	996,063	792,830
Current year audit fee	(996,063)	(792,830)
Amount paid - current year		
Amount paid - previous years	-	-
Balance unpaid (included in payables)		

40.3 VAT

VAT payable for the year	1,546,869	3,724,359

40.4 PAYE and UIF

Opening balance	-	
Current year payroll deductions	3,772,978	3,377,822
Amount paid - current year	(3,772,978)	(3,377,822)
Amount paid - previous years	-	
Balance unpaid (included in payables)	-	-

The balance represents PAYE and UIF deducted from the June 20X2 payroll. These amounts were paid during July 20X2

40.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	6,092,609	2,993,310
Amount paid - current year	(6,092,609)	(2,993,310)
Amount paid - previous years		

Total	24,049,361	38,882,666

This expenditure will be financed from:

- External Loans		
- Government Grants	24,049,361	15,371,285
- Own resources		23,511,381
- District Council Grants		
	24,049,361	**38,882,666**

41.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	1,128,209	1,112,671
In the second to fifth year inclusive	1,247,331	1,768,234
After five years	-	
Total	**2,375,539**	**2,880,905**

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable .

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

48 RISK MANAGEMENT

48.1 Maximum credit risk exposure

The Municipality's activities expose it to a variety of financial risks: market risk (including Currency risk and interest rate risk), credit risk and liquidity risk.

48.2 Currency Risk

The Municipality does not purchase any items in foreign currency.

48.3 Credit Risk

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation and cause the Municipality to incur a financial loss.

The Council monitors receivable balances on an ongoing basis. An appropriate level of provision is maintained.

48.4 Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Municipality's liabilities are backed by appropriate assets and it has liquid resources. The Council monitors the cash

projections and by ensuring that adequate borrowing facilities is available to meet cash requirements.

48.5 Interest Rate Risk

The Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

49 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation							
	Opening Balance R	Additions R	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of impairment loss R	Closing Balance R	Transfers R	Other movements R	Carrying Value R
Land													
Land	336,373	-	-		336,373				-	-	-	-	336,373
	336,373	-	-	-	336,373	-	-	-	-	-	-	-	336,373
Buildings	518,870	-	-	-	518,870	(343,600)	(17,296)	-	-	(360,896)	-	-	157,974
Infrastructure													
Roads	32,875,209	13,469,749	-	-	46,344,958	(11,699,254)	(2,446,546)	-	-	(14,145,800)	-	-	32,199,158
Electricity Mains	3,136,191	97,375	-	-	3,233,566	(2,714,831)	(92,501)	-	-	(2,807,332)	-	-	426,234
	36,011,400	13,567,124	-	-	49,578,524	(14,414,085)	(2,539,047)	-	-	(16,953,132)	-	-	32,625,392
Community Assets													
Recreation Grounds	12,143,133	99,155	-	-	12,242,288	(1,940,439)	(410,328)	-	-	(2,350,767)	-	-	9,891,521
Civic Buildings	2,311,469	-	-	-	2,311,469	(914,721)	(69,248)	-	-	(983,969)	-	-	1,327,500
Stadiums	1,333,424	-	-	-	1,333,424	(3,192)	(290)	-	-	(3,482)	-	-	1,329,942
	15,788,026	99,155	-	-	15,887,181	(2,858,352)	(479,866)	-	-	(3,338,218)	-	-	12,548,963
Investment Property													
Investment Property	80,165				80,165					-			80,165
	80,165	-	-	-	80,165	-	-	-	-	-	-	-	80,165
Total carried forward	52,734,834	13,666,279	-	-	66,401,113	(17,616,037)	(3,036,208)	-	-	(20,652,245)	-	-	45,748,867

MANDENI MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation				
	Opening Balance	Additions	Under Constr uction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying value
	R	R	R	R	R	R	R	R	R	R
Executive & Council	266,930	101,867			368,797	153,933	21,411		175,345	193,452
Finance & Admin	2,798,077	579,184		(58,502)	3,318,759	1,409,881	171,305	(55,222)	1,525,965	1,792,795
Planning & Development	4,732,068	1,642,036			6,374,105	1,050,123	474,933		1,525,055	4,849,050
Health	265,217				265,217	78,957	16,483		95,440	169,776
Community & Social Services	5,956,468	20,647			5,977,115	1,721,019	149,987		1,871,005	4,106,110
Public Safety	745,989	95,778			841,767	345,162	92,787		437,949	403,818
Sport & Recreation	7,546,068	19,500		(91,570)	7,473,997	569,807	266,548	(77,047)	759,309	6,714,688
Environmental Protection					-				-	-
Waste Management	5,928				5,928	2,841	593		3,433	2,495
Road Transport	33,865,719	13,469,749		(48,973)	47,286,494	12,028,006	2,461,659	(48,973)	14,440,691	32,845,803
Water					-				-	-
Electricity	2,907,099	97,375			3,004,474	2,527,834	95,712		2,623,546	380,928
Housing	806,007				806,007	367,514	26,338		393,852	412,155
Total	**59,895,569**	**16,026,137**	**-**	**(199,045)**	**75,722,661**	**20,255,077**	**3,777,756**	**(181,242)**	**23,851,591**	**51,871,070**